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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 10549

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(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-15888

PROCESSED BY
13-15-1
L30 18 1992

IGENE Biotechnology, Inc.
(Exact name of Registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Maryland
(State or other jurisdiction of incorporation
or organization)

52-1230461
(I.R.S. Employer
Identification No.)

9110 Red Branch Road, Columbia, Maryland
(Address of principal executive officers)

21045-2097
(Zip code)

Registrant's telephone number, including area code: (410) 997-2599

None
(Former name, former address and former fiscal year, if changed since last
report)

Indicate by a check mark whether the Registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months (or for such shorter
period that the Registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

The number of shares outstanding of the Registrant's \$.01 par value Common
Stock as of March 31, 1992 is 11,741,852.

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IGENE Biotechnology, Inc.

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IGENE BIOTECHNOLOGY, INC.
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
PART I - FINANCIAL INFORMATION

IGENE Biotechnology, Inc.
Balance Sheets

	March 31, 1991 (Unaudited)	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 839,048	\$ 123,999	\$ 276,663
Accounts receivable	52,673	48,888	40,774
Prepaid expenses	2,545	---	693
Inventories (note 2)	15,115	5,158	6,596
Total current assets	<u>909,381</u>	<u>178,045</u>	<u>324,726</u>
Property and equipment, net	84,967	188,739	200,615
Other assets	10,600	10,600	10,600
	<u>\$ 1,004,948</u>	<u>\$ 377,384</u>	<u>\$ 535,939</u>
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accrued payroll	\$ 5,976	\$ 5,976	\$ 5,976
Accounts payable and other accrued expenses	101,450	176,698	205,624
Debt interest payable	60,000	60,000	30,000
Total current liabilities	<u>167,426</u>	<u>242,674</u>	<u>241,600</u>
Long term liabilities:			
Variable rate subordinated debenture	1,500,000	1,500,000	1,500,000
Total liabilities	<u>1,667,426</u>	<u>1,742,674</u>	<u>1,741,600</u>
Redeemable preferred stock -- 8% cumulative, convertible, voting, Series A, \$.01 per value per share; redemption value \$9.60, \$10.24 and \$10.08 per share. Authorized 920,000 shares; issued 56,592, 38,592, and 51,467 shares	<u>543,283</u>	<u>395,182</u>	<u>518,788</u>
Stockholders' deficit:			
Preferred stock -- \$.01 par value per share, 8% cumulative, convertible, voting, Series A. Authorized and issued 187,500 shares (aggregate involuntary liquidation value \$1,800,000, \$1,920,000 and 1,890,000)...	1,875	1,875	1,875
Common stock -- \$.01 par value per share. Authorized 35,000,000 shares; issued 11,652,518, 11,741,852 and 11,716,102 shares.....	116,525	117,419	117,161
Additional paid-in capital	15,779,378	16,052,194	15,926,769
Deficit	<u>(17,103,539)</u>	<u>(17,931,960)</u>	<u>(17,770,254)</u>
Total stockholders' deficit	<u>(1,205,761)</u>	<u>(1,760,472)</u>	<u>(1,724,449)</u>
	<u>\$ 1,004,948</u>	<u>\$ 377,384</u>	<u>\$ 535,939</u>

See accompanying notes to financial statements

IGENE Biotechnology, Inc.
Statements of Operations
(Unaudited)

	<u>March 31,</u> <u>1991</u>	<u>March 31,</u> <u>1992</u>
Sales	\$ 79,729	\$ 77,033
Cost of sales	<u>31,841</u>	<u>51,256</u>
	47,888	25,777
Selling, general and administrative expenses:		
Marketing and selling	11,892	4,984
Research, development and pilot plant	123,561	97,633
General and administrative	<u>106,579</u>	<u>55,597</u>
	(194,144)	(132,437)
Other income (expenses):		
Investment income	3,419	1,684
Interest expense	(30,709)	(30,953)
Other income (expense)	<u>380</u>	<u>---</u>
Net loss	(221,054)	(161,706)
Deficit at beginning of period	<u>(16,862,485)</u>	<u>(17,770,254)</u>
Deficit at end of period	<u><u>\$ (17,103,539)</u></u>	<u><u>\$ (17,931,960)</u></u>
Net loss per common share	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>

See accompanying notes to financial statements

IGENE Biotechnology, Inc.
Statements of Stockholder's Equity (Deficit)
(Unaudited)

	Redeemable Preferred Stock	Preferred Stock	Common Stock	Additional Paid-In Capital
Balance at December 31, 1990	\$ 534,229	\$ 1,875	\$ 70,565	\$ 14,721,398
Sale of 4,596,000 shares of common stock pursuant to private placement	---	---	45,960	1,103,040
Compensation expense relating to nonqualified stock options	---	---	---	4,775
Fees paid in connection with various financing arrangements	---	---	---	(40,785)
Cumulative undeclared dividends on redeemable preferred stock	9,054	---	---	(9,054)
Balance at March 31, 1991	<u>543,283</u>	<u>1,875</u>	<u>116,525</u>	<u>15,779,378</u>
Balance at December 31, 1991	\$ 518,788	\$ 1,875	\$ 117,161	\$ 15,926,769
Conversion of preferred stock into common stock	(129,780)	---	258	129,522
Compensation expense relating to nonqualified stock options	---	---	---	2,077
Cumulative undeclared dividends on redeemable preferred stock	6,175	---	---	(6,175)
Balance at March 31, 1992	<u>395,183</u>	<u>1,875</u>	<u>117,419</u>	<u>16,052,194</u>

See accompanying notes to financial statements

IGENE Biotechnology, Inc.
Statements of Cash Flows
(Unaudited)

	--- Three months ended --- March 31, 1991	March 31, 1992
Cash flows from operating activities:		
Net loss	\$(221,054)	\$(161,706)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,753	11,874
Loss on retirement of fixed assets	---	---
Provision for (recovery of) losses on bad debts	---	---
Compensation charge relating to nonqualified stock options	4,779	2,077
Changes in assets and liabilities:		
Increase (decrease) in accrued payroll	---	---
Increase (decrease) in debenture interest payable	30,000	30,000
Increase (decrease) in accounts payable and other accrued expenses	(65,444)	(28,926)
Decrease (increase) in accounts receivable	(31,871)	(8,114)
Decrease (increase) in prepaid expenses and deposits	(5,763)	693
Decrease (increase) in inventories	2,751	1,438
Net cash used in operating activities	<u>(278,849)</u>	<u>(152,664)</u>
Cash flows from investing activities:		
Capital expenditures	---	---
Net cash used in investing activities	---	---
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of related expenses	1,149,000	---
Issuance of common stock upon reinvestment of debenture interest payable	---	---
Fees paid in connection with various financing arrangements	(40,785)	---
Net cash provided by (used in) financing activities	<u>1,108,215</u>	<u>---</u>
Net increase (decrease) in cash and cash equivalents	829,366	(152,664)
Cash and cash equivalents at beginning of year	<u>9,682</u>	<u>276,663</u>
Cash and cash equivalents at end of period	<u>\$ 839,048</u>	<u>\$ 123,999</u>
Supplementary disclosure - cash paid for interest	<u>\$ 709</u>	<u>\$ 953</u>

See accompanying notes to financial statements.

IGENE Biotechnology, Inc.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(1) Unaudited Financial Statements

The financial statements presented herein as of March 31, 1991 and 1992 and for the three-month period ended March 31, 1991 and 1992 are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position and results of operations. Such financial statements do not include all of the information and footnote disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles.

(2) Inventories

Inventories are stated at the lower of average cost or market and consisted of the following:

	March 31, <u>1991</u> (Unaudited)	March 31, <u>1992</u> (Unaudited)	December 31, <u>1991</u>
Raw materials	\$ 3,710	\$ 3,560	\$ 3,560
Finished goods	<u>11,405</u>	<u>1,599</u>	<u>3,036</u>
	<u>\$ 15,115</u>	<u>\$ 5,159</u>	<u>\$ 6,596</u>

During 1991, the inventories related to the Company's ClandoSan® product line were written down to net realizable value due to the current prevailing market conditions.

(3) Stockholders' Equity

At March 31, 1992, 86,746 shares of authorized but unissued common stock were reserved for exercise at \$6.64 per share pursuant to a stock purchase warrant granted to the underwriter in connection with the Company's initial public offering, 978,850 shares of authorized but unissued common stock were reserved for exercise pursuant to the 1986 Stock Option Plan, 488,184 shares of authorized but unissued common stock were reserved for issuance upon conversion of the Company's outstanding preferred stock, 314,092 shares of authorized but unissued common stock were reserved for issuance upon exercise at \$6.00 per share of stock purchase warrants issued to preferred stockholders who converted to common stock in 1988.

800,000 shares of authorized but unissued common stock were reserved for issuance upon reinvestment of interest on the variable rate subordinated debenture and 375,000 shares of authorized but unissued common stock were reserved for issuance upon conversion of the variable rate subordinated debenture.

(4) Net Loss Per Common Share

Net loss per common share for the three-month periods ended March 31, 1991 and 1992 is based on 9,099,183 and 11,724,646 weighted average shares, respectively. For purposes of computing net loss per common share, the amount of net loss has been increased by cumulative undeclared dividends in arrears on preferred stock.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Results of Operations

Sales revenue for the three-month period ended March 31, 1992 consisted almost entirely of sales of the Company's ClandoSane[®] nematocide product. The revenue was similar to the corresponding period in 1991 and reflects the concentration of ClandoSane[®] marketing efforts in a smaller geographical region.

Selling, general and administrative expenses for the quarter continued to decline when compared with the corresponding period of the prior year. These decreases reflect the continuing successful efforts of management in reducing the operating costs.

Financial Position

In December 1988, the Company suspended payment of the quarterly dividend on its preferred stock. Resumption of the dividend will require significant improvements in cash flow. Unpaid dividends cumulate for future payment or increase the liquidation preference or redemption value of the preferred stock. As of March 31, 1992, total dividends in arrears on the Company's preferred stock was \$506,446, of which \$86,446 (\$2.24 per share) was included in the carrying value of the redeemable preferred stock and \$420,000 (\$2.24 per share) was included in the liquidation preference of the preferred stock.

Liquidity and Capital Resources

Historically, the Company has been funded primarily by equity contributions, loans from stockholders and license fees. As of March 31, 1992, the Company had a working capital deficit of approximately \$64,000, of which approximately \$124,000 is in cash and cash equivalents, consisting entirely of proceeds from the private placement of common stock in February 1991.

In June of 1990, the Company accepted subscriptions in a private placement to purchase 4,500,000 newly issued shares of common stock to five Directors of the Company. The shares were issued at a price of \$.10 per share, for an aggregate consideration of \$450,000.

Effective February 15, 1991, the Company accepted additional subscriptions in a private placement to purchase 4,596,000 newly issued shares of common stock from accredited investors, certain of whom were Directors of the Company. The shares were issued at a price of \$.25 per share for an aggregate consideration of \$1,149,000.

The shares issued by the Company in both June 4, 1990 and February 15, 1991 will provide the Company with working capital funds through the first quarter of 1992. It is anticipated that during the second quarter of 1992, the Company will seek to raise from approximately \$600,000 to \$900,000 from private investors, some of whom will be directors of the Company. A portion of these proceeds will be utilized for the manufacture and commercialization of the Company's product, AstaXin® in Chile and in the United States in anticipation of sales.

Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes ("SFAS No. 109") was issued by the Financial Accounting Standards Board in February, 1992 and is effective for years beginning after 1992, or earlier at the Company's option. As the Company has incurred substantial net operating losses which are being carried forward for income tax purposes, the adoption of SFAS No. 109 will not have any material impact on the Company's financial position or results of operations.

The Company does not believe that inflation has had a significant impact on the Company's operations during the past two years.

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IGENE Biotechnology, Inc.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

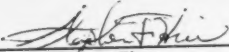
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IGENE Biotechnology, Inc.
(Registrant)

Date: May 14, 1992



Stephen F. Hiu
President, Treasurer and
Secretary
(On behalf of the Registrant and as
Principal Financial Officer)